



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

25 Sigourney Street
Hartford CT 06106-5032

SN 2002(1)

SPECIAL NOTICE

**2002 Legislation Increasing the Cigarette Tax
and Affecting Licensed Cigarette Dealers**

Purpose: This Special Notice describes recently enacted legislation increasing the cigarette tax rate effective April 3, 2002, and imposing a supplemental tax, as of the close of business on April 2, 2002, on each licensed cigarette dealer's inventory of packages of cigarettes that have only an old cigarette tax stamp attached to them.

Effective Date: April 3, 2002.

Statutory Authority: 2002 Conn. Pub. Acts 1, §1 (amending Conn. Gen. Stat. §12-296), §2 (amending Conn. Gen. Stat. §12-316), and §3.

Definitions: As used in this Special Notice:

- *DRS* means the Department of Revenue Services.
- *Old cigarette tax stamp* means either a yellow \$.50 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or an orange \$.625 Connecticut cigarette tax stamp (for packages of 25 cigarettes).
- *New cigarette tax stamp* means either a green \$1.11 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a blue \$1.3875 Connecticut cigarette tax stamp (for packages of 25 cigarettes).
- *Cigarette inventory report* is form **AU-930-63**, *Dealer's Cigarette Inventory Report*. However, in the case of a licensed dealer who owns and operates cigarette vending machines, *cigarette inventory report* is form **AU-930-62**, *Dealer's Cigarette Inventory Report*.
- *Floor tax stamp* means either a red \$.61 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a brown \$.7625 Connecticut cigarette tax stamp (for packages of 25 cigarettes). The floor tax stamp is a self-adhesive, peel-and-stick stamp.
- *Floor tax stamp order form* is form **OP-419-63**, *Order Form for Cigarette Floor Tax Stamps*. However, in the case of a licensed dealer who owns

and operates cigarette vending machines, *floor tax stamp order form* is form **OP-419-62**, *Order Form for Cigarette Floor Tax Stamps*.

- *Participating distributor* means a licensed distributor who purchases floor tax stamps for resale to other licensed distributors or to licensed dealers.

Tax Rate Increase: The cigarette tax rate will increase from 25 mills to 55.5 mills per cigarette on April 3, 2002.

	Tax before 4-3-2002	Tax on or after 4-3-2002
Packages		
20 cigarettes per package	\$.50	\$1.11
25 cigarettes per package	.625	1.3875
Cartons		
10 packs per carton (20s)	\$5.00	\$11.10
10 packs per carton (25s)	6.25	13.875
8 packs per carton (25s)	5.00	11.10

Tax on Cigarette Inventory as of April 2, 2002: 2002 Conn. Pub. Acts 1, §3 imposes a tax on each licensed dealer's inventory ("floor tax") as of the close of business on April 2, 2002, on packages of cigarettes (including those in cartons) that have only an old cigarette tax stamp attached to them.

Floor Tax Stamps to Be Attached as of the Close of Business on April 2, 2002, to Packages of Cigarettes That Have Only An Old Cigarette Tax Stamp Attached to Them: Payment of the floor tax will be evidenced by attaching floor tax stamps. Each licensed dealer must attach a:

- Red \$.61 floor tax stamp to each package of 20 cigarettes that has only a yellow \$.50 Connecticut cigarette tax stamp attached to it;

- Brown \$.7625 floor tax stamp to each package of 25 cigarettes that has only an orange* \$.625 Connecticut cigarette tax stamp attached to it.

*red if a water-applied stamp

The floor tax stamps must be attached as of the close of business on April 2, 2002. A floor tax stamp must be attached to the bottom of a package of cigarettes next to the already attached old cigarette tax stamp. Both cigarette tax stamps must be visible. Cartons containing packages of cigarettes that have only an old cigarette tax stamp attached must be opened, and a floor tax stamp must be attached to each package of cigarettes within the carton.

Close of Business on April 2, 2002: If a licensed dealer's business closes after 11:59 p.m. on April 2, 2002, the cigarette inventory must be taken as of 11:59 p.m. on April 2, 2002, and the floor tax stamps must be attached at that time.

Floor Tax Stamps Not Required to Be Attached to Certain Packages of Cigarettes: A licensed dealer is not required to attach floor tax stamps to packages of cigarettes that have a new cigarette tax stamp already attached to them.

Cigarette Inventory Report: Each licensed dealer must complete and file a cigarette inventory report with DRS, reporting:

- Its inventory of packages of cigarettes that have only an old cigarette tax stamp attached as of the close of business on April 2, 2002.
- The quantity of floor tax stamps that the licensed dealer bought, and whether the stamps were bought from a participating distributor or from DRS.
- If unused floor tax stamps are returned by the licensed dealer, the quantity of floor tax stamps returned, and whether the stamps were returned to a participating distributor or to DRS.

AU-930-62 or **AU-930-63** must be filed no later than May 1, 2002, but may be filed sooner if all the required information is available sooner. The failure of a licensed dealer to complete and file form **AU-930-62** or **AU-930-63** on or before that date will be sufficient reason to revoke the dealer's license. Each dealer also must retain a copy of its signed form **AU-930-62** or **AU-930-63** on its premises for inspection by DRS agents.

Purchase of Floor Tax Stamps: The floor tax stamps will be available for purchase starting March 20, 2002. Floor tax stamps may be purchased from a participating distributor or from DRS.

Purchasing from a participating distributor. A list of participating distributors who will sell floor tax stamps to licensed dealers may be found on the DRS Web site at www.drs.state.ct.us by clicking on "Cigarette Tax Increase."

Purchasing from DRS. To purchase floor tax stamps from DRS, a licensed dealer must complete a floor tax stamp order form and must purchase the stamps in person at a DRS office or at a temporary DRS office. Payment for floor tax stamps must be made by check or money order. DRS will not accept cash payments for stamps at any DRS office other than DRS headquarters.

Purchasing from DRS at a DRS office. Floor tax stamps may be purchased at the following dates, times, and locations:

DRS headquarters and DRS field offices

March 20-22	from 8 a.m. to 5 p.m.
March 25-28	from 8 a.m. to 5 p.m.
March 29, Friday	closed for state holiday
March 30 (Saturday)	from 9 a.m. to 1 p.m.
April 1 and 2	from 8 a.m. to 8 p.m.

Location of DRS offices

Headquarters:	25 Sigourney St., Hartford
Field offices:	
Norwich:	2 Cliff Street
Bridgeport:	10 Middle Street
Waterbury:	55 West Main Street
Hamden:	3074 Whitney Avenue (Bldg. #2)

For directions to DRS offices, visit the DRS Web site at www.drs.state.ct.us and click on "Cigarette Tax Increase," or call 1-800-382-9463 (toll-free within Connecticut) or 860-297-5962 (from outside Connecticut) and press option "6".

Purchasing from DRS at a temporary DRS office. Floor tax stamps may also be purchased from DRS at a temporary DRS office in the Darien Town Hall and in the State Police Barracks for Troops C, E, F, and L, but only at the following dates and times.

Darien Town Hall (2 Renshaw Road, Darien)
April 1 and 2 from 9 a.m. to 4 p.m.

State Police Barracks for Troops C, E, F, and L
April 1 and 2 from 9 a.m. to 6 p.m.

Location of State Police Barracks

Troop C: 1320 Tolland Stage Road, Tolland
Troop E: Interstate 395 North (between Exit 79
and Exit 79A), Montville
Troop F: Connecticut Turnpike West, Westbrook
Troop L: 452 Bantam Road, Litchfield

Return of Unused Floor Tax Stamps: If a licensed dealer buys floor tax stamps from a participating distributor, and some of those stamps are not used, the licensed dealer must return the unused stamps to the participating distributor. If those unused stamps are returned to the participating distributor no later than April 19, 2002, the distributor must allow a refund or credit to the licensed dealer.

If a licensed dealer purchases floor tax stamps from DRS, and some of those stamps are not used, the dealer must return the unused stamps to DRS either by mail or in person at a DRS office (but not at a temporary DRS office). In returning those stamps, the dealer must bring or include the following:

- **OP-421**, *Refund Request for Unused Floor Tax Stamps*. DRS will furnish this form to a licensed dealer when the dealer buys floor tax stamps.
- The taxpayer receipt copy of **OP-419-62** or **OP-419-63** that the licensed dealer completed when buying the unused stamps from DRS.

If unused stamps are returned to DRS no later than April 19, 2002, along with form **OP-421** and the taxpayer receipt copy of **OP-419-62** or **OP-419-63**, DRS will mail the licensed dealer a check refunding the floor tax paid on the unused stamps after DRS has examined the dealer's cigarette inventory report and found it to be satisfactory. DRS **will not** refund the floor tax paid on the unused stamps at the time the dealer returns them.

Enforcement: On or after April 3, 2002, packages of cigarettes that have only an old cigarette tax stamp attached to them are contraband, subject to confiscation. On or after April 3, 2002, any dealer selling or offering to sell packages of cigarettes that do not have either a new cigarette tax stamp attached, or both a floor tax stamp and an old cigarette tax stamp attached, is subject to criminal sanctions including a

fine, imprisonment, or both. (If more than 20,000 cigarettes are involved, the crime is a felony.) DRS audit and enforcement personnel will be out in force to ensure that floor tax stamps are properly attached, and to confiscate improperly stamped packages of cigarettes. Any dealer violating the law will also be subject to tax, penalty and interest on improperly stamped packages of cigarettes, and civil sanctions including the suspension or revocation of the dealer's license. Those wishing to report any distributor or dealer violating the law should contact the DRS Special Investigations Section at **860-297-5877** during business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS and may be referred to for general guidance by taxpayers or tax practitioners.

For Further Information on the Cigarette Tax Increase and the Floor Tax: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, at **860-297-5770**, or visit the DRS Web site at www.drs.state.ct.us and click on "Cigarette Tax Increase."

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: www.drs.state.ct.us
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.
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